



March 11, 2011

Dear Fellow Stockholder:

Apollo Diamond, Inc. ("Apollo," the "Company," "we," "its" or "our") has called a Special Meeting of Stockholders (the "Special Meeting") to be held on April 18, 2011 at 9:00 a.m. local time at Embassy Suites Boston at Logan Airport, 207 Porter Street, Boston, Massachusetts 02128. This letter is intended to be a summary only and does not contain all of the information you should consider before voting on the proposals presented at the Special Meeting. Please carefully review the enclosed Proxy Statement for additional information and details.

As undoubtedly most of you know, starting around 2000 Apollo worked to develop and perfect what we believe was the world's first scalable proprietary chemical vapor deposition technology to produce high-quality diamond crystals. Having completed the prototype development and pilot production facility by 2008, the Company sought a long-planned additional financing to facilitate the natural evolution of our technology from pilot production stage to commercialization. The Company, by itself and through its representatives, including Deutsche Bank AG and Ambrian Partners Ltd, devoted substantial effort to secure financing for this purpose. Later during this process, Deutsche Bank examined the possibility of selling the entire Company. Although the Company engaged in advanced discussions with several qualified parties—including some of the most prominent names in the diamond retail, wholesale, mining and advanced materials sectors—none of these discussions resulted in a significant financing and/or sale transaction. We have found that notwithstanding more recent ameliorating conditions in the capital markets, the severe economic crisis of 2008 has significantly impacted the ability of small, early-stage companies like ours to access growth capital. As a result, the Company has faced major liquidity challenges since late 2008, which has adversely affected our business financial condition, results of operations and prospects. Beginning in 2009, the Company was forced to terminate many of its employees and later to reduce, and in some cases defer or even eliminate, compensation to its remaining employees. Nonetheless, during this time, the Company continued to operate with the assistance of credit facilities provided by our founders and other related parties. These credit facilities were extended as an attempt to bridge the Company's financing needs to a financing event—an event which has simply not materialized despite our best efforts, those of our financial advisors, and even some of our shareholders.

At this point, the Company is unable to fund further operations without additional outside capital. Indeed, the Company's liquidity challenges are now so acute that our ability to continue as a going concern is in doubt. The Company has outstanding liabilities that total nearly \$2,000,000,

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various contractual obligations that approximate several times that number, and very little available cash. Our board of directors has engaged in a methodical and purposeful decision-making process that has included a careful evaluation of potential alternatives, including our prospects of continuing as a stand-alone company. The board of directors seeks to act in the best interests the Company and, importantly, our stockholders. Given our recent history and the current economic environment, our board of directors has determined that a sale of the Company's assets and, correspondingly, new management offers the best chance to successfully lead future initiatives to monetize our proprietary technology.

To that end, the Company has entered into an Asset Purchase Agreement with Scio Diamond Technology Corporation ("SDTC")—a company formed for the purpose of this transaction and to capitalize on the technology developed by Apollo—whereby Apollo has agreed to sell substantially all of our assets for approximately \$2,000,000 to SDTC. The cash obtained from the asset sale will largely be applied toward existing liabilities and contractual obligations of the Company. Importantly, our most significant creditors and other parties with whom we have contractual obligations have agreed to accept reduced payments in connection with the sale to SDTC. They have also maintained that their acceptance of such reduced payments is conditioned on a sale of the assets of the Company under the terms outlined herein to SDTC.

In an effort to create what may prove to be a tax-advantaged event for many of our shareholders, we are offering to repurchase the outstanding shares of common stock held by our stockholders at a price of \$0.01 per share. This will, among other things, provide you an opportunity to potentially realize a capital loss on your original investment. Of course, your individual financial situation may vary and we urge you to consult your tax or financial adviser to determine if favorable tax treatment in connection with the repurchase of your shares is available to you.

In addition to repurchasing your shares in the Company, we have negotiated an agreement with SDTC whereby our stockholders whose shares are repurchased by the Company will be permitted to invest in SDTC at a price of \$.01 per share. Each stockholder will be provided an opportunity to purchase a number of shares of SDTC equal to the number of the Company's shares currently held by the stockholder. This will permit our stockholders to preserve the continued potential opportunity of your investment in the Company and to maintain a largely pro-rata interest in the opportunity developed by the Company through ownership of SDTC stock. To achieve such a pro-rata result on your behalf, myself and other members of my family and senior management have agreed to cancel certain stock options and warrants and have also decided to forego various rights we have under our existing employment, consulting and/or royalty agreements. Please note that your pro-rata interest in SDTC may be reduced in the future as SDTC raises additional capital to effectuate the commercialization of the Company's technology.

Please know that this situation is immensely difficult personally, professionally and financially. However, I feel that restructuring the opportunity with our proprietary technology through the sale to SDTC offers the best opportunity for our stockholders to benefit from our collective investment in the Company and its technological achievements. In my judgment, this is the right course of action and, ultimately, in the best interests of the Company and its stockholders. You should appreciate that none of us take these developments lightly. Indeed, our senior executives, employees, advisors and various service providers have in many cases dedicated a significant portion of their professional lives to the Company, often sacrificing personally, financially and otherwise to further this endeavor. To their credit, we have made significant accomplishments leading to the creation of a proprietary process for producing large pieces of diamond and diamond gemstones. The fact remains, however, that the Company was unable to secure necessary funding to realize commercialization of our proprietary technology. We are hopeful

that under the new management of SDTC—a letter of introduction from SDTC's CEO, Joe Lancia, is enclosed with the other materials provided to you—the opportunity will be sufficiently recapitalized in order to achieve the commercial success we continue to believe can be attained. Several key Company employees, including myself, are committed to assisting in this task at the direction of SDTC's management.

Once again, this letter is intended as a summary only and does not contain all of the information you should consider before voting on the proposals presented at the Special Meeting and contained in the Proxy Statement. Please review the enclosed Proxy Statement closely for additional information and details. As we ask of you with respect to this information regarding the Company, your information will be kept in strictest confidence and will not be disseminated to third parties. We hope that you will participate in the Special Meeting.

Lastly, although I am disappointed that not all of our original goals have materialized, I remain optimistic that a favorable outcome is still possible through SDTC. I thank you for your support of Apollo throughout the years and in connection with this process.

Very Truly Yours,



Chairman
Apollo Diamond, Inc.

This letter contains "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statement other than a statement of historical fact should be considered a forward-looking statement. Such forward-looking statements are based on Apollo's current expectations and involve known and unknown risks, uncertainties, or other factors which may cause actual results, performance or achievements of Apollo to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Risks, uncertainties and assumptions include the possibility that the market for the sale of certain products, or all products, may not develop as expected, or at all or that certain technology may not develop as expected. Readers are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation and does not intend to make any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect unanticipated events or developments.